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Department of State **TELEGRAM**

LIMITED OFFICIAL USE 380

PAGE 01 ROME 02136 01 OF 02 291805Z

42
ACTION E-15

INFO OCT-01 EUR-20 CAB-09 CIAE-00 COM-08 DODE-00 DOT-12
INR-07 NSAE-00 RSC-01 SSO-00 NSCE-00 USIE-00 CIO-00
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LIMITED OFFICIAL USE SECTION 1 OF 2 ROME 2136

SUBJECT: CIVAIR NEGOTIATIONS

1. AFTER SOME DISCUSSION IN TODAY'S MEETING ON THE SUBJECT OF ALL-CARGO SERVICES, ITALIAN CHAIRMAN RECESSED MEETING AND ASKED US CHAIRMAN FOR PRIVATE TALK. ALTHOUGH US CHAIRMAN HAD FELT IT UNDESIRABLE TO ACCEPT AN EARLIER INVITATION TO TALK PRIVATELY UNLESS CAB AND DOT REPS PRESENT, USDEL FELT MIGHT BE USEFUL ACCEPT PRESENT INVITATION TO DETERMINE WHAT ITALIANS HAD IN MIND.

2. SANTINI OPENED DISCUSSION BY STATING THAT HE WISHED TO GIVE USDEL PACKAGE DEAL FOR TRANSMISSION TO WASHINGTON ON SATURDAY BUT HE WISHED TO DISCUSS CERTAIN ELEMENTS OF THAT DEAL NOW PARTICULARLY THE ROUTE QUESTION. MEADOWS RESPONDED THAT HE DID NOT KNOW HOW ITALDEL COULD PREPARE PACKAGE WHEN SO MANY ELEMENTS WERE UNDISCUSSED AND STILL OPEN. ON THE QUESTION OF ROUTES US POSITION WAS QUITE FIRM AND USDEL HAD NOTHING ELSE TO OFFER. IF ITALDEL WISHED TO PUT PACKAGE TO USG THIS MIGHT BE HELPFUL BUT BEFORE SENSIBLE PACKAGE COULD BE PUT TOGETHER THERE HAD TO BE FURTHER DISCUSSION ON OPEN ISSUES. THE FOLLOWING DISCUSSION THEN ENSUED ON UNRESOLVED ISSUES.

3. CAPACITY. SANTINI SAID TWO SIDES CLOSE TOGETHER AND HE DID NOT THINK THERE WAS MUCH PROBLEM IN FINDING A SOLUTION. HOWEVER, HE NOTED THAT LEVEL OF ITALIAN

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Department of State **TELEGRAM**

CARRIER FREQUENCIES WAS STILL SUBSTANTIALLY BEHIND THAT OF US AND HE HOPED ITALIAN FREQUENCIES WOULD NOT BE CHALLENGED WHILE BELOW LEVEL OPERATED BY US CARRIERS. MEADOWS RESPONDED THAT THIS SMACKED OF PARITY AND WOULD BE UNACCEPTABLE. HOWEVER, HE HAD NO DOUBT US WOULD TAKE TRADITIONAL LIBERAL VIEW TOWARD ALITALIA OPERATIONS.

4. ALL-CARGO CAPACITY UNDER THE AGREEMENT SANTINI SAID HE HAD SPECIAL PROBLEM WITH ALL-CARGO CAPACITY BECAUSE US CARRIERS WERE IN A BETTER POSITION TO EXPLOIT THE CARGO MARKET DUE TO INTERMEDIATE POINT AVAILABILITY ON THIN EAST-BOUND SERVICES. FOR THIS REASON ITALIANS NEED SPECIAL ARRANGEMENT IN SIDE AGREEMENT TO COVER APPLICATION OF FORMAL AGREEMENT TO ALL-CARGO, ALTHOUGH HE WAS PREPARED IN PRINCIPLE TO CONCEDE THAT ALL-CARGO SERVICES WOULD BE COVERED BY THE AGREEMENT AFTER THE INTERIM PERIOD. MEADOWS REPLIED US FELT CAPACITY ARRANGEMENT FOR PASSENGER SERVICES EQUALLY APPLICABLE TO ALL-CARGO SERVICES. HE COULD NOT COMMENT AS TO WHETHER ANOTHER ARRANGEMENT WOULD BE SATISFACTORY.

5. ALL-CARGO FREQUENCIES FOR INTERIM PERIOD. SANTINI SAID USDEL EXAGGERATED NUMBER OF EXTRA FREQUENCIES RECENTLY FLOWN. HE THOUGHT LEVEL OF WEEKLY SERVICES NEVER REACHED 14 AS SUGGESTED BY USDEL. HE IS PREPARED TO SEE AN INCREASE IN ALL-CARGO SERVICES TO A LEVEL OF 9 IN 1970 WITH AN ANNUAL INCREASE OF 30 PERCENT THEREAFTER DURING THE INTERIM PERIOD. MEADOWS INDICATED SUCH FREQUENCIES WOULD NOT MEET US REQUIREMENTS ALTHOUGH US MIGHT BE ABLE TO CONSIDER SLIGHT ADJUSTMENT IN PROPOSED STARTING LEVEL ALTHOUGH BASICALLY US POSITION WAS THAT US PROPOSAL REASONABLE.

6. ALL-CARGO POINTS. MEADOWS POINTED OUT THAT SO FAR DELS HAD HAD LITTLE DISCUSSION ON ALL-CARGO POINTS EXCEPT TO AGREE THAT ALL-CARGO AND COMBINATION SERVICES WOULD BE COVERED BY THE SAME ROUTE DESCRIPTION AND THAT US WOULD NOT OPERATE ALL-CARGO SERVICES BEYOND ROME. HOWEVER, POINTS IN US, INTERMEDIATE POINTS AND POINTS IN ITALY WERE STILL OPEN. SANTINI ASKED HOW MANY POINTS WERE REQUIRED IN THE US. MEADOWS RESPONDED US NEEDED ALL CERTIFICATED POINTS. SANTINI SAID THIS WAS OUT OF QUESTION BUT HE WAS PREPARED TO CONSIDER SOME INCREASE OVER THE 3 WHICH ITALDEL HAD PROPOSED. MEADOWS SAID THIS HAD TO BE DISCUSSED. RE

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Department of State **TELEGRAM**

INTERMEDIATE POINTS. MEADOWS SAID TWO SIDES WERE STILL FAR APART AND SANTINI REPLIED HE UNDERSTOOD THE PROBLEM. AS FOR POINTS IN ITALY, MEADOWS SAID US REQUIRED 3. SANTINI SAID THIS WAS OUT OF QUESTION BUT ITALIANS MIGHT CONSIDER 1.

7. COMBINATION SERVICE POINTS. MEADOWS NOTED THAT IN ADDITION TO ALL-CARGO POINTS THERE IS STILL AN OPEN QUESTION ON INTERMEDIATE AND BEYOND POINTS FOR COMBINATION SERVICES. SANTINI MADE NO COMMENT.

8. MULTIPLE DESIGNATION. SANTINI SAID MULTIPLE DESIGNATION STILL POSED BIG PROBLEM FOR ITALY. PERHAPS SOLUTION WAS FOR ITALY TO GIVE UP DALLAS AND THEREBY RESOLVE FOURTH CARRIER PROBLEM. MEADOWS SAID THIS WAS NOT FEASIBLE SOLUTION BECAUSE ADDITIONAL CARRIER CONCEPT WAS IMPORTANT TO US. SANTINI ASKED ABOUT SIMULTANEITY OF OPERATIONS. MEADOWS NOTED THAT THIS COULD GIVE ALITALIA VETO POWER OVER US OPERATIONS AND WAS THEREFORE NOT ACCEPTABLE. HE SAID ITALY HAD LITTLE TO WORRY ABOUT SINCE UNLIKELY NEW CARRIER COULD BE CERTIFICATED IN LESS THAN TWO TO THREE YEARS. SANTINI ASKED IF DELAY COULD BE FORMALIZED IN SIDE AGREEMENT AND MEADOWS SAID WOULD CONSIDER.

9. BEHIND THE GATEWAY. MEADOWS SAID BEHIND THE GATEWAY WAS ESSENTIAL TO US. SANTINI REPLIED THAT BEST SOLUTION WAS TO LEAVE THIS UNMENTIONED. MEADOWS ASKED WHAT THIS MEANT AND SANTINI REPLIED THAT HE DID NOT THINK BEHIND THE GATEWAY WOULD BE A PROBLEM. MEADOWS EMPHASIZED THAT USDEL HAS INSTRUCTIONS TO MAKE THIS PROVISION EXPLICIT.

10. CHANGE OF GAUGE. MEADOWS EXPLAINED THAT THIS WAS AN IMPORTANT ELEMENT FOR US. SANTINI INDICATED CHANGE OF GAUGE WAS DIFFICULT PROBLEM FOR ITALY BUT HE WOULD CONSIDER FURTHER.

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Department of State **TELEGRAM**

LIMITED OFFICIAL USE 423

PAGE 01 ROME 02136 02 OF 02 291824Z

42
ACTION E-15

INFO OCT-01 EUR-20 CAB-09 CIAE-00 COM-08 DODE-00 DOT-12
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LIMITED OFFICIAL USE SECTION 2 OF 2 ROME 2136

11. 747 SCHEDULES. MEADOWS SAID THE USDEL STILL DID NOT HAVE CLEAR IDEA OF 747 SITUATION. SANTINI STATED THAT CAPACITY PROVISION COVERED 747 SERVICES AND US CARRIERS COULD INTRODUCE 747S IN ACCORDANCE WITH FILED SCHEDULES AS SOON AS AGREEMENT INITIALED.

12. MEADOWS EMPHASIZED IMPORTANCE OF DISCUSSING ALL ABOVE ITEMS IN PLENARY SESSION BEFORE ANY PACKAGE WAS DRAWN UP. SANTINI AGREED COVER THESE ITEMS IN TOMORROW'S SESSION BUT SAID HE PREFERRED NOT TO MEET ON FRIDAY WHICH IS ITALIAN HOLIDAY. HE DID HOPE TO PREPARE PACKAGE ON SATURDAY FOR PRESENTATION TO US. IL.

13. DISCUSSION THEN TURNED TO QUESTION OF ROUTES. SANTINI EMPHASIZED THAT PHILADELPHIA WAS NOT ACCEPTABLE AS ADDITIONAL POINT IN ITALIAN ROUTE SCHEDULE. HE SAID ITALY NEEDED 8 POINTS AND IF DALLAS DROPPED OUT OF PICTURE WOULD WANT PHILADELPHIA, DETROIT AND SAN FRANCISCO. MEADOWS SAID HIS POSITION ON ROUTES WAS SOLID AND HE COULD NOT GIVE ANY INDICATION ON OTHER ROUTE PACKAGES. HOWEVER, HE FELT WOULD BE IMPOSSIBLE TO REACH AGREEMENT IF ITALY DROPPED DALLAS IN EXPECTATION ELIMINATING ADDITIONAL CARRIER PROBLEM. SANTINI SAID IF DALLAS STAYS IN PACKAGE WOULD HAVE TO INCLUDE DETROIT AND PHILADELPHIA. MEADOWS SAID WOULD BE PREPARED TRANSMIT PACKAGE TO WASHINGTON BUT OF COURSE COULD NOT GUARANTEE RESULTS.

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14. ABOVE TRANSMITTED IMMEDIATELY AFTER MEETING AND WILL ATTEMPT TO SEND USDEL ASSESSMENT LATER.
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